

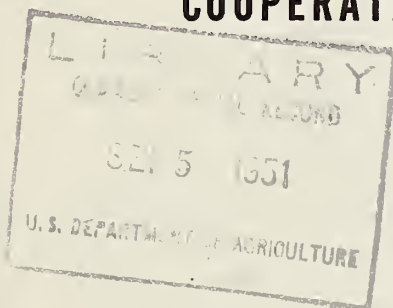
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UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C.

FARMERS' MARKETING AND PURCHASING
COOPERATIVES IN PUERTO RICO



1948-49

By
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UNITED STATES DEPARTMENT OF AGRICULTURE
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SUMMARY

Although it is difficult for Puerto Rican farmers to improve their financial condition because of the handicaps of small farms and low incomes, this study shows that the nearly 13,000 active members of the 12 farmer associations on the Island have benefited financially from marketing their products and purchasing their farm supplies cooperatively. The cooperatives have been fostered by past and recent legislation, and further assisted by Insular and Federal agencies.

The report concludes that greater benefits for more farmers are possible through future extension of the present cooperative services, and through the development of new processing services for farm crops, and manufacturing services for certain farm supplies.

About half the farmers in Puerto Rico (29,317) were members of farmer marketing and purchasing cooperatives in 1949, and nearly one-fourth (13,000) were active members. For the most part, the average farmer's acreage was small, and cultivation and harvesting done by hand. Under these conditions the average cash farm income was low. Financial requirements, therefore, for membership in Insular cooperatives have been kept at a minimum in order to encourage as many farmers as possible to participate in the advantages of cooperative purchasing of supplies and marketing services. This lack of member capital has prompted the Insular government to provide money to assist cooperatives in their early stages of development, or to help them out of financial difficulties. In some cases, this money has been paid back by the cooperatives, while in others, the loans have been cancelled by the government.

Cooperative development in the marketing of farm products has reached a fairly high level for some crops produced in Puerto Rico. Cooperatives handle large proportions of the tobacco and coffee crops, and two large cooperative sugar centrals are very successful and important in the production of raw cane sugar. These two sugar mills are the only farmer sugar cooperatives among the 30-odd sugar centrals on the Island. It is believed that further development of cooperative sugar manufacturing enterprises would provide additional benefits to farmers, since sugar is an important source of income for Puerto Rican agriculture. This development, however, would require financial aid from governmental sources. It is also believed that a new cooperative development in the processing of a Hawaiian-type pineapple, which is particularly well suited to Puerto Rican conditions, would prove to be a profitable and steady source of income to the pineapple producers.

Farmers have been successful in processing and marketing pigeon peas and citron fruit, and in marketing cotton and fresh tomatoes. Poultry and honey marketing associations are recent additions to the Island's cooperatives for farmers.

In 1949, the farmer cooperatives in Puerto Rico handled \$17,077,219 worth of farm products including sugar, tobacco, coffee, cotton, citron, vegetables, poultry and honey. In addition, they handled about \$2.5 million worth of farm supplies. More than \$1 million of this farm supply total was handled by one farm supply purchasing association. The marketing associations handled the rest of the supply business as sideline activities. However, practically all supplies needed by Puerto Rican farmers were available through at least two of the larger associations. Feed, fertilizer, and seed were the major farm supply items carried. Cooperative distribution of fertilizer alone totaled 14,122 tons. Estimated requirements of all farmer members -- inactive as well as active -- were in excess of 25,000 tons. This amount, in addition to about 25,000 tons used annually by the Insular government's Land Authority agency, has indicated a need for the establishment of a cooperative fertilizer mixing plant. Agricultural leaders in Puerto Rico have already taken steps to build such a plant in the northern part of the Island.

One of the large sugar cooperatives has profitably operated a small hospital in connection with its business. This has provided a greatly needed service for the members and employees of the association and for the townspeople in that community. Similar service might well be provided by other large associations.

This report covers most of the recent legislation passed to aid and regulate current and future cooperatives of Puerto Rico. Specific provisions are included in Cooperative Act of 1946 for two different government cooperative services: (1) The Office of the Inspector of Cooperatives in charge of audit, inspection and inquiry, which is subordinated to the Executive Secretary of Puerto Rico; and (2) the Department of Cooperatives of the Extension Service of the University of Puerto Rico, which is in charge of promotion, extension education and training. Provisions were also made for political, religious and racial neutrality. Another important clause in the Act is the stipulation that all cooperatives are obligated to contribute annually not less than one-tenth of 1 percent of their total volume of business to an educational fund.

FARMERS' MARKETING AND PURCHASING COOPERATIVES IN
PUERTO RICO, 1948-49

By

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This study of farmer cooperatives in Puerto Rico was made at the request of cooperative leaders on the Island. Several agencies provided information including the Office of the Inspector of Cooperatives of Puerto Rico, the Department of Cooperatives of the Extension Service of the University of Puerto Rico, the Insular Department of Agriculture and Commerce, the Cooperative League of Puerto Rico, and two other Federal agencies -- the Farm Credit Administration and the Farmers Home Administration. In addition, the managers and in some cases the officers of the 12 farmer cooperatives operating in 1950 also provided information. Material also was obtained from audits and other reports of the associations.

The purposes of the study were to present a description of the 12 individual farmer marketing and farm supply purchasing cooperatives in Puerto Rico, and to examine the cooperative legislation of 1946, governing and fostering such cooperatives. It is believed that this information will be helpful to cooperatives in Puerto Rico and to other insular peoples in the Caribbean where interest in farmer cooperation has been further stimulated by the recently formed cooperative development programs, jointly sponsored by the Food and Agriculture Organization of the United Nations and the Caribbean Commission.

Agriculture of Puerto Rico

To understand the development of farmers' cooperatives in Puerto Rico, it will be helpful to briefly describe the agriculture of the Island. Puerto Rico is mainly agricultural and most of its income is derived from crop production (see figure 1). Sugar cane is the principal farm crop. It is produced in the coastal area and the interior valleys where moisture and soil is suited to its production. The coastal area, for the most part, does not reach more than 5 miles inland. However, some of the rivers and small streams permit cane growing farther inland and at higher altitudes.

NOTE: Acknowledgment is made of the helpful cooperation of the managers of the farmers' cooperatives visited in connection with this survey; of Carlos Matos, Inspector of Cooperatives; and Ramon Barrocal, Business Analyst of the Office of Inspector of Cooperatives, Santurce, Puerto Rico. Credit is also due Antonio Grillo, Assistant Manager of the San Juan branch of the Baltimore Bank for Cooperatives, San Juan, Puerto Rico, for assistance in planning the field work for the survey.

FIGURE 1
LOCATION OF PRINCIPAL CROPS IN PUERTO RICO



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Of the 30-odd sugar centrals serving this area, only two are cooperative mills owned by farmer producers. These two cooperative centrals produce 45 percent of the total earnings of the 12 farmer marketing and purchasing cooperatives in Puerto Rico. Since sugar is the main source of agricultural income, further attention and study might well be given by the Insular government to the benefits available to farmers through the development of additional cooperative sugar manufacturing enterprises. Further development or expansion of cooperative sugar manufacturing by farmers would require financial aid from government sources.

Tobacco is the second important crop. In general it is produced on small farms in the hilly mountainous sections of east central and central parts of the Island. The Puerto Rican type of tobacco is used as filler in the manufacture of cigars. Most of this tobacco is shipped and sold to cigar manufacturers in the States. However, some of it is manufactured into hand-made cigars for domestic use by one of the three tobacco marketing associations in Puerto Rico.

Coffee, a third important crop, is grown in the mountainous areas of west central and western Puerto Rico. In earlier years a great deal of the coffee produced in Puerto Rico was exported. However, during recent years the production is barely sufficient to take care of consumption on the Island.

Pineapple production in Puerto Rico is increasing. They are produced principally in the north central and northern parts of the Island. Several commercial canning plants are in operation to process part of the crop; the rest of it is marketed fresh. Pineapples are becoming more and more important as an exportable product, and offer excellent possibilities for the development of a cooperative marketing and processing enterprise to benefit small farmers.

Cotton is produced in greatest quantity in the coastal area in the northwestern part of the Island. Smaller amounts are grown in the southwestern coastal area.

Other crops are important locally. Citrus and other tropical fruits, including bananas, are grown in scattered areas. For the most part, these also are consumed on the Island. Vegetable growing has been encouraged by the Insular government as a means for providing a better standard of living for the people. Several areas have specialized in crop production -- for example, the Villalba municipality specializes in pigeon peas and tomatoes. A farmer cooperative located at Villalba cans pigeon peas and markets them for consumption in Puerto Rico. It also receives and markets fresh tomatoes. These are shipped under refrigeration to New York.

According to the 1940 census there were 55,519 farms in Puerto Rico, with a total acreage of 1,831,560. Aside from large holdings of the commercial sugar centrals and land owned by the Insular government (30,000 acres of cane land purchased from large owners under its Land Authority

law), the majority of farms were small. For example, 85 percent of the tobacco harvested in 1949 was grown on one acre or less. Only 30 percent of the Island, or about 845,000 acres of farm land is well adapted to permanent agriculture, and most of that requires intensive soil conservation.

Large corporate farms, as a rule, are not interested in the cooperative method of doing business, since they are large enough to obtain the benefits of wide-scale operations. But the condition of the small farm is extremely well conducive to cooperative methods of purchasing and marketing. Farming is done mostly by hand, without labor-saving machinery and without adequate fertilization, and, as a consequence, the average cash farm income of the small farmer is low.

Because the financial condition of the great majority of Puerto Rican farmers has not enabled them to invest sizable amounts of cash in cooperatives, financial requirements for membership in cooperative enterprises have been kept to a minimum in order to attract as many farmers as possible. And this lack of member capital has caused the Insular government, at various times, to provide money to assist associations in their early stages of development or to help them out of financial difficulties.

Puerto Rican agriculture has been particularly dependent upon the importation of sufficient supplies of fertilizer to enrich the thin layer of top-soil characteristic of most of the Island's acreage. In 1949, approximately 250,000 tons of mixed fertilizer and fertilizer materials were distributed in the Island. The cooperative distribution was 14,133 tons. However, the cooperatives estimated that their farmer members' annual fertilizer requirements were in excess of 25,000 tons. In addition, the Land Authority agency of the Puerto Rican government uses about 25,000 tons annually on its land. With this potential volume, the sizable savings available through cooperative manufacturing, the agricultural leaders in Puerto Rico are taking steps to establish a large fertilizer mixing plant to serve the northern part of the Island. Organization plans will include in its membership all interested farmer cooperatives and the Land Authority agency. The new federated plant will be modern in every respect, and will be located on deep water near San Juan on land leased to the federation by the Puerto Rican government. Indications are that the plant will need to have approximately a 50,000-ton capacity to produce the total requirements of the member organizations.

Cooperatives in Puerto Rico

In all 121 different cooperatives were functioning in Puerto Rico on June 30, 1949. These included many consumer cooperatives, credit unions, industrial associations, farmers' cooperatives, and miscellaneous housing and service organizations. Table 1 shows the number of associations in each type, their active membership, and volume of business in 1948-49 or 1949.

Table 1. - Number, active membership, and volume of business of different types of associations, 1948-49

<u>Type of association</u>	<u>Number of associations</u>	<u>Active membership</u>	<u>Volume of business</u>
Farmers' marketing.....	11	12,536	\$17,077,219
Farmers' purchasing.....	1	412	1,056,884
Production credit associations.....	1	2,613	<u>1</u> /5,216,623
Puerto Rico Branch of Baltimore Federal Land Bank <u>2</u> /.....	1	2,858	<u>1</u> /10,119,042
Consumers' stores.....	49	4,516	2,378,000
Credit unions.....	43	4,790	403,397
Industrial associations.	13	800	61,000
Housing cooperatives....	2	300	38,000
Service associations....	2	200	28,000
Total.....	123	26,157	\$36,378,165

Source: Annual report of the Office of Inspector of Cooperatives of Puerto Rico, Santurce, Puerto Rico.

1/ Loans outstanding June 30, 1949.

2/ The Baltimore Federal Land Bank was entirely owned by farmer-members in Puerto Rico and the farmer-owned national farm loan associations in States of Virginia, West Virginia, Maryland, Pennsylvania and Delaware. Prior to March 10, 1950, farm mortgage loans in Puerto Rico were made directly by the Puerto Rico branch of the bank. On that date a national farm loan association was organized at San Juan. By February 28, 1951, it had 1,600 members with approximately \$9 million in loans outstanding and had become the largest such association in the United States.

Only 12 of the 121 associations on the Island are of the farmers' marketing or farmers' purchasing types. However, if the farmers' credit cooperatives are omitted, these 12 account for more than half of the active membership of all cooperatives, and about four times the volume of business of the rest of the cooperatives combined. The Puerto Rico production credit association had 2,613 members with \$5,216,623 in loans outstanding. Its volume of business was the second largest in the United States. Capital stock in this association owned by members totaled \$611,490, and reserves of \$726,720 had been built up out of earnings to protect this investment. Consumer cooperatives and credit unions far outnumber the other associations on the Island, but their volume of business is relatively small.

This study indicates that the total membership of farmer marketing and purchasing cooperatives in 1949 was 29,317, of which 12,948 were active that year. Considering the fact that there were approximately 55,519 farms in Puerto Rico in 1940, these figures show that about half the farmers were members of farmer cooperatives in 1949, and about one-fourth were active patrons.

There are large areas in Puerto Rico where no cooperative farm supply service is available to farmers (figure 2). The two large associations handling farm supplies (Sociedad Agricola Cooperativa de Puerto Rico and Cooperativa Cafeteros de Puerto Rico) should study the possibilities for extending service to those areas. Moreover, leaders of the three major associations distributing farm supplies and equipment, may wish to consider the possibilities for handling wider lines of modern machinery.

Legislation and Agencies Which Encourage and Sponsor Cooperatives

The Puerto Rican Government has long been interested in the development of farmer cooperatives. The first cooperative act was passed in 1920. Other laws were enacted in 1925, 1938, and 1946. The revisions of the different cooperative acts were brought about through persistent interest in furthering cooperatives as one solution to a dense population living on inadequate resources, and in eliminating as far as possible the ill effects of costly credit, as well as production and marketing inefficiencies. The main purpose of the 1946 act was to raise and maintain standards of cooperative methods, and to preserve a healthy growth among existent and future cooperatives. In order to bring about increased guidance and supervision of the new laws, a central agency, the Office of the Inspector of Cooperatives was created.

The new Act required that all cooperatives organized under prior laws should register again, and amend their articles of incorporation to comply with the new legislation. Of those previously registered, only one farmer cooperative failed to meet the specifications and was dissolved; two disbanded without attempting registration. Three new cooperatives -- a tobacco cooperative at Aibonito, a poultry association at Ponce, and a honey cooperative also at Ponce -- joined the group of farmer cooperatives after 1946.

In addition to this legal stimulation, the Puerto Rico Government has at times made loans to cooperatives for facility and operating purposes. In 1938 the cooperatives were also allowed certain tax privileges. They are exempted from the payment of all income taxes, and from the payment of general property taxes on buildings, equipment, machinery, and inventories that do not exceed \$50,000 in value. They were also exempted from the payment of property tax on five acres of land. They must, however, pay property taxes on the value of land in excess of five acres.

Besides the legislative encouragement and assistance given the cooperatives by the Insular government, a number of other agencies are also interested in cooperative development. These include: (1) Department

of Cooperatives of the Agricultural Extension Service of the University of Puerto Rico; (2) the Experiment Station of the University of Puerto Rico; (3) the Insular Department of Agriculture and Commerce; (4) the Puerto Rico Reconstruction Administration; (5) the Baltimore Bank for Cooperatives; and (6) the Cooperative League of Puerto Rico.

The Department of Cooperatives of the Agricultural Extension Service assists cooperatives in carrying on educational programs. This assistance is given by means of publications, moving pictures, weekly radio talks, and special talks at meetings of cooperatives and interested groups of farmers. It provides counsel to cooperatives on matters relating to (1) the principles of cooperatives, (2) administration matters, (3) organization of associations, (4) methods of handling groups of cooperative farmers, (5) accounting and bookkeeping methods, and (6) matters relating to membership and public relations.

The Experiment Station of the University of Puerto Rico makes research studies of the operations of cooperatives -- especially in the field of membership relations. These studies are distributed in printed form for the benefit of the associations and their members.

The Insular Department of Agriculture and Commerce assists cooperatives in organization and operation and in their marketing problems. It provides market information and advice for improving the efficiency of marketing and distribution of farm products on the Island. The department also sponsors legislation which is designed to be helpful to the cooperatives.

The Puerto Rico Reconstruction Administration (an agency of the U. S. Department of Interior), which is now in liquidation, was set up in 1935 to assist cooperatives in organization, development, and financing. This agency had a fund of several million dollars to lend to cooperatives at a very low rate of interest and for long terms. As a result of its service, there are now two sugar mill cooperatives, one cotton marketing association, one vegetable canning and marketing cooperative, one citron processing and marketing cooperative, and one farm supply association in successful operation on the Island. Several other associations which the agency organized and financed have failed or have been reorganized. These include one vanilla bean marketing cooperative and four local vegetable marketing associations. The present duties of the Puerto Rico Reconstruction Administration are mainly to collect the loans which were made to the cooperatives.

The San Juan branch of the Baltimore Bank for Cooperatives, a unit of the U. S. Farm Credit Administration, makes loans to farmers' marketing associations and farm supply associations for facility, commodity, and operating purposes. The interest rates charged by the bank are low and the terms of the loans vary from seasonal (one year or less) for operating and commodity loans to long-terms (several years) for facility purposes.

The Cooperative League of Puerto Rico has as its purposes the following: (1) The establishment and promotion of better friendship relations and cooperation among all the cooperatives of Puerto Rico. (2) The coordination of the activities of all the cooperatives and federations of cooperatives for the accomplishment of a quick and effective development of the cooperative movement. (3) The promotion and facilitation of discussion and investigation of affairs and problems common in the cooperative movement. (4) Cooperation in the solution of these problems. (5) The promotion of educational activities, publicity and propaganda necessary for the progress of the movement. (6) The carrying out of all those economic, commercial, or industrial activities which tend to fulfill the purposes of the League. (7) The study of any law or bill which may affect the cooperative movement, and to sponsor beneficial legislative measures. (8) The establishment and promotion of cooperative relations with Government agencies and other entities which may pursue similar purposes of social improvement. (9) The promotion of all possible and convenient activities for the integration of the cooperative movement of Puerto Rico to the cooperative movement of other countries but excluding those not governed by democratic governments. (10) The promotion of any other activity necessary and convenient to stimulate a better development of the cooperative movement in Puerto Rico.

Farmer Cooperatives

At the time this study was made in March 1950, 11 of the 12 farmer marketing and purchasing cooperatives operating in Puerto Rico were marketing organizations, and one was a farm supply purchasing association (figure 2). The marketing associations handled such products as raw cane sugar, leaf tobacco, raw and processed coffee, cotton, vegetables, citron, honey, and poultry. The farm supply association furnished mainly feed, fertilizer, seed, small farm tools and equipment, certain building supplies, poultry and dairy equipment, and other miscellaneous items. Farm supplies were also handled by three of the marketing associations.

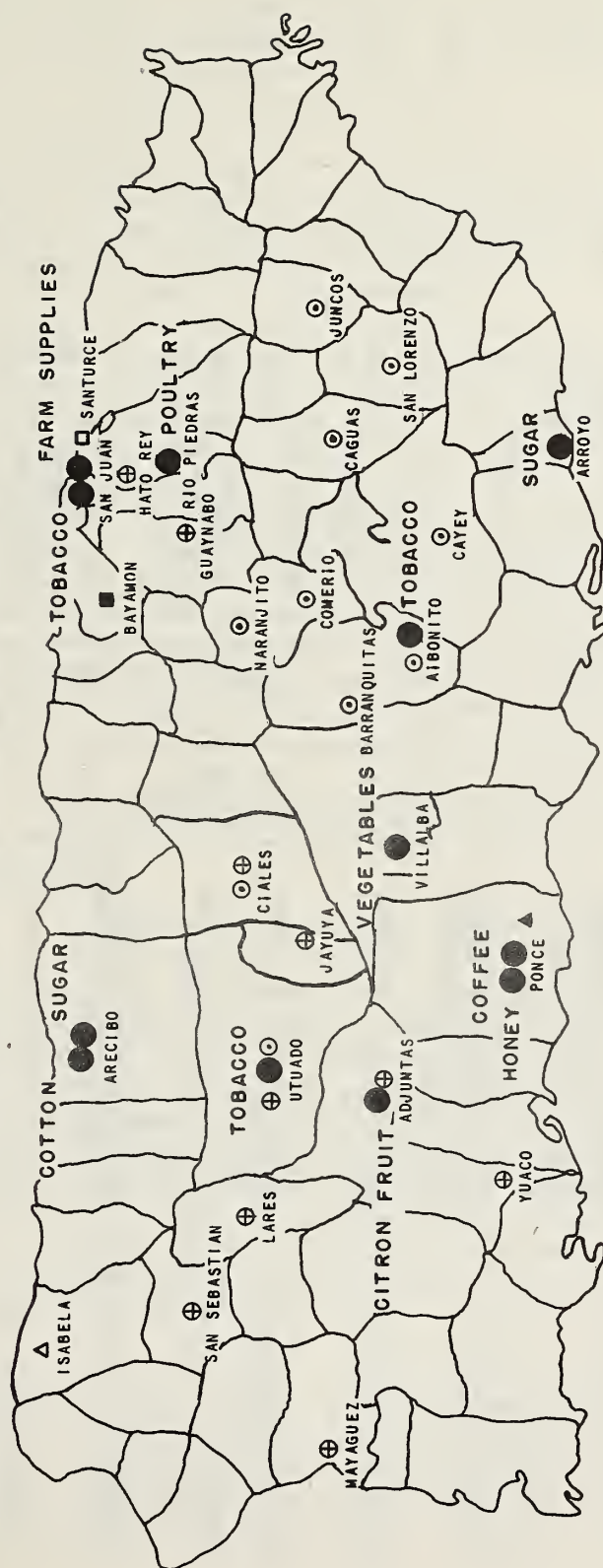
In all there were 33 retail cooperative outlets for farm supplies on the Island, and the total value of farm supplies distributed by all cooperatives in 1949 was about two and one-half million dollars.

All of the farmers associations were of the centralized type in which farmers hold direct membership. Federations of cooperatives were legalized under the General Cooperative Act of Puerto Rico of 1946, but up to 1950 no federations of farmer cooperatives had been organized. As will be seen in Table 1, the 12 farmer cooperatives were organized mostly in the 1930's and 1940's. One, Cooperativa Cafeteros de Puerto Rico, was incorporated in 1928.

The 12 associations had an active membership of 12,948 in 1948-49 or 1949 (see table 2). This was less than half of the 29,317 total membership of these organizations. Apparently many of the members do not patronize their associations year in and year out. As for example, in the tobacco associations some members patronize their cooperative

FIGURE 2

FARMER COOPERATIVES IN PUERTO RICO, AND TYPES OF COMMODITY HANDLED, MARCH, 1950



- Association headquarters
- Branch of Puerto Rico Tobacco Marketing Cooperative Association (Tobacco and Farm Supplies), San Juan
- ⊕ Branch of Cafeteros De Puerto Rico, (Coffee and Farm Supplies), Ponce
- △ Branch (gin) of Puerto Rico Cotton Growers Marketing Cooperative Association, Arecibo
- Branch of Cooperativa De Avicultores De Puerto Rico, (Poultry), Rio Piedras
- Branch (Cooperative Dairy) of Cafeteros De Puerto Rico, Ponce
- ▲ Branch of Sociedad Agricola Cooperativa De Puerto Rico, (Farm Supplies), San Juan

Table 2 - Farmers Marketing and Purchasing Cooperatives in Puerto Rico Services, Active Membership, and Volume of Business for 1944-45 and 1948-49

Type of association, name, location and year of incorporation	Services	Active membership		Volume of business		
		1944-45	1948-49	Quantity	1944-45 1/	Value 1948-49
Sugar Asociacion Azucarera Cooperativa Lafayette, Arroyo, 1936 Cooperativa Azucarera Los Canos, Arecibo, 1939	Receives and processes sugar cane and markets raw sugar and molasses Receives and processes sugar cane and markets raw sugar and molasses	359 507	578 563	Tons sugar cane Lbs. leaf tobacco	334,283 306,928 12,000,000	\$2,000,000 1,800,000 5,000,000
Tobacco Puerto Rico Tobacco Marketing Cooperative Assn., San Juan, 1934	Receives, processes, and markets cigar filler tobacco and distributes fertilizer and insecticides	6,167	6,289	10,754,167		2/ 3,884,643
Cooperativa de Cosecheros de Tabaco de Utuado, 1934	Receives, processes, and markets cigar filler tobacco, manufactures cigars and distributes fertilizer	569	648	1,095,200	800,000	2/ 354,446
Cooperativa (ABC) Tabacalera, Aibonito, 1947	Receives, processes, and markets cigar filler tobacco	....	216	659,851	.....	• 224,132
Coffee Cooperativa Cafeteros de Puerto Rico, Ponce, 1928	Receives, processes, and markets coffee, distributes farm supplies, operates a cooperative dairy and handles baby chicks	1,471	2,356	Lbs. raw coffee 6,000,000	10,178,498	2/ 4,302,565
Cotton Puerto Rico Cotton Growers, Arecibo, 1935	Receives, processes, and markets cotton	1,335	1,125	Bales cotton 895 | 221,648 Tons cottonseed 189)	265,000	167,416
Citron Cooperativa de Cosecheros de Cidra, Adjuntas, 1944	Receives, processes, and markets citron fruit	59	162	Lbs. citron fruit	800,000	109,597
Vegetables Villalba Vegetable Growers Cooperative Assn., Villalba, 1939	Receives, cans, and markets peas and markets fresh tomatoes	485	466	Cans peas 1,269,000 Lbs. tomatoes 201,960)	230,000	252,378
Poultry Cooperativa de Avicultores de Puerto Rico, Rio Piedras, 1948	Receives and markets live and dressed poultry and poultry products and handles baby chicks	....	52	.....	.....	175,123
Honey Cooperativa de Apicultores de Puerto Rico, Ponce, 1945	Receives and markets honey and beeswax	....	81	Gals. honey 6,000) Lbs. beeswax 800)	.....	15,919
Farm supplies Sociedad Agrícola Cooperativa de Puerto Rico, San Juan, 1937	Purchases farm supplies and equipment and handles baby chicks	....	412	.....	800,000	1,056,884
Total			12,948			\$18,134,103

1/ Estimated.

2/ In addition to the farm products marketed by Puerto Rico Tobacco Marketing Cooperative Association, Cooperativa de Cosecheros de Tabaco de Utuado, Cooperativa Cafeteros de Puerto Rico, these marketing associations distributed fertilizer and farm supplies with a total value of \$1,432,699 in 1948-49.

association one year and then patronize a private dealer the next year. It was reported by an officer of one of those associations that when tobacco prices are high farmers often sell to dealers outside of the association. But when prices are low they turn to their associations in the hope of obtaining better prices.

Most of the patrons of the Puerto Rico farmer cooperatives are members. In 1949 only 13 percent of the business done by the 12 associations was with nonmembers. The legal requirements in Puerto Rico regarding non-member business are that not more than half of the total business of an association may be done with nonmembers.

The total volume of business of the 12 farmer cooperatives in 1948-49 or 1949 was \$18,134,103 (table 2). The sugar cooperatives, tobacco associations, coffee cooperative, and the Sociedad Agricola Cooperativa de Puerto Rico (farm supplies) handled the largest part of the cooperative business of the Island. Except for one, these seven associations were the oldest of the 12 cooperatives. It is of interest that in 1944-45 or 1945 the 12 farmer cooperatives which were then operating in Puerto Rico had a total volume of business of \$13,337,000. The increase between that earlier period and the one covered by this study was nearly 5 million dollars, or 28 percent. Not only has the business of most of these cooperatives increased dollarwise, but also in physical volume -- more sugar was produced, more coffee was marketed, and more farm supplies were distributed.

Operating Features of Individual Cooperatives

Sugar Cooperatives

Cooperativa Azucarera Lafayette, Arroyo

The association with the largest volume of sugar business on the Island, the Cooperativa Azucarera Lafayette, was organized in December 1936 under the Cooperative Act No. 70 of 1925 and reincorporated in 1947 under the General Cooperative Associations Act of Puerto Rico. It was sponsored, organized and assisted financially by the Puerto Rico Reconstruction Administration. The PRRA still furnishes the largest part of the association's capital requirements and controls its management.

Only persons engaged in the production of sugar cane are eligible for membership. No person is eligible who owns or controls or possesses lands in excess of 500 acres.

The association has a board of directors consisting of nine members who serve for terms of three years. No director may serve more than two consecutive terms. Directors meet monthly unless special meetings are called by the president, or unless three members of the board ask for such a meeting in writing to the president. A majority of the members of the board constitute a quorum.

The authorized capital of the association is \$2 million. This includes 300,000 shares of common (voting) stock at \$5 per share and 50,000 shares of preferred (nonvoting) stock at \$10 per share. As of June 30, 1949, no preferred stock had been issued. Common stock in the amount of \$625,237 was outstanding and an allocated reserve of \$467,166 had been created out of savings. This latter figure included \$180,755 of net savings for that year which had not been distributed prior to the end of the operating year.

In view of the fact that the Puerto Rico Reconstruction Administration originally provided, and is still providing, a large share of the capital for the association, it maintains control of management. The manager of the association is selected and his compensation is fixed by the PRRA. This arrangement has drawn some criticism from the members of the association regarding the status, authority, and responsibility of the directors who are elected by the members to direct the affairs of the organization. The greatest criticism of PRRA's management is in the distribution, which is made of the net savings of the association. Some members expressed the view that the fixed obligations of the association should be paid off at a more rapid rate than is provided for in the agreement with PRRA. They believed that if this were done the association would be able to operate independently at an earlier date. The operations of this cooperative association under PRRA's management, however, have been very successful.

Bonding is required for the general manager, comptroller, and all other employees having custody of funds of the association. In 1948-49, 38 employees were bonded. The costs of bonding are paid by the association.

The association also operates a hospital for the benefit of its members, employees, and citizens of the area which it serves. The hospital is small but very up-to-date and provides a much needed service to that community. For the year ending June 30, 1949, the income of the hospital was \$155,040 and its expenses were \$131,079. The net savings for that year amounted to \$23,961.

Most of the members of the Lafayette sugar association are small farmers. About 500 of the 578 active members in 1948-49 delivered only 19,000 tons of sugar cane out of the 334,283 total tonnage of the association. This amounts to 38 tons per member for the small farmers, and 4,042 tons per member for the remaining 78 producers. About 15 percent of the total tonnage was delivered by nonmembers. Nonmembers receive no part of the net savings of the association. All net savings are distributed to members either in the form of cash or allocated reserves.

In order to provide the members with the capital needed for the production purposes during the sugar cane season, the association makes provisional advances every 15 days from the start of the season. The final settlement is made at the end of the season.

This association provides each of its members with a printed copy of the annual report each year. The report gives a considerable amount of detail regarding the association's operations and provides educational material. No other educational work has been done by the association, however, plans are under consideration for starting an educational department in the near future.

Cooperativa Azucarera Los Canos, Arecibo

The Cooperativa Azucarera Los Canos was first formed three years after the Lafayette association. It was organized in 1939 under Cooperative Act No. 70 of 1925 and reincorporated in 1948 under the General Cooperative Associations Act of Puerto Rico. It was sponsored and received assistance from the Puerto Rico Reconstruction Administration in organization and financing. The bulk of its operating capital is still provided by PRRA.

Membership in the association is open to farmers and organized cooperatives which are engaged in the production of sugar cane either as owners or renters. All members are required to sign a milling contract, which provides that they must deliver all of their cane to the association for processing.

The association has a board of directors consisting of nine members. These are elected by the membership at the annual meeting of the association. They hold office for a period of three years. No director can serve for more than two consecutive terms. Directors' meetings are held twice each month and special meetings are held as necessary.

The authorized capital of the association is \$210,000. This includes 2,000 shares of common (voting) stock with a par value of \$5 per share, and 20,000 shares of preferred (nonvoting) stock with a par value of \$10 per share. Not more than 5 percent interest may be paid upon common stock, and payment of such interest is left to the discretion of the board of directors. Cumulative interest at the rate of 5 percent is paid on preferred stock. On June 30, 1949, the association had outstanding \$3,815 common stock and no preferred stock. At that time there were outstanding \$464,470 of certificates of indebtedness. These had been issued out of the net savings of the association over a period of years and represent savings retained in the business. Reserves in the amount of \$202,200 also stood on the books of the association as of June 30, 1949. These reserves included \$137,173 of net savings for that year, which had not yet been distributed.

Bonding is required for all employees who handle or are responsible for custody of funds of the association. These include the president, secretary-comptroller, manager, cashier, and three disbursing officers. The association pays the costs of bonding.

The association had 563 active members in 1948-49. In addition it had 299 nonmembers. The business of these nonmembers represented 19.5

percent of the total business of the association. Nonmembers receive no patronage refunds. Net savings are distributed only to members.

All members of the association receive copies of the annual report each year. The association provides educational material for its members at intervals throughout the year through the medium of mimeographed letters. These deal with fertilization, cultivation methods, new varieties, prices, and other material of interest to the farmer-members.

Tobacco Cooperatives

Puerto Rico Tobacco Marketing Cooperative Association, San Juan

The largest of the three tobacco associations on the Island is the Puerto Rico Tobacco Marketing Cooperative Association. This association was originally incorporated in August 1934 under provisions of Cooperative Act No. 70 of 1925. It was reincorporated in 1947 under the General Cooperative Associations Act of Puerto Rico of 1946.

The principal purposes for which the association was organized are to receive, process, and market Puerto Rican tobacco, and to distribute fertilizer and insecticides to its farmer members.

The association is of the centralized type in which individual farmers hold direct membership. For voting and operating purposes the territory of the association is divided into 10 districts. In each of the districts the association operates at least one tobacco warehouse.

Any farmer, "natural person," who produces tobacco may become a member of the association by making application, being accepted by the board of directors, agreeing to abide by the rules of the association, and by purchasing one share of common stock. He must sign a membership agreement. No tobacco trader or buyer may become a member. As of August 31, 1949, the association had a total membership of 17,795. However, only 6,289 members were active patrons that year. The 11,506 inactive members include those who patronize the association some years but not other years. The association requires that its members market all of their tobacco through the organization. If the member fails to do so he will be considered inactive. Inactive members have no right to vote in the meetings of the association. However, as soon as the inactive member again markets his tobacco through the association he recovers all the rights of an active member.

The association has very few nonmember patrons. The nonmember patrons receive no patronage refund, and the savings resulting from their marketings are allocated to the members.

The Puerto Rico Tobacco Marketing Cooperative Association is governed by a board of directors consisting of 12 members -- all tobacco producers. The board is made up of one member from each of the 10 districts and two directors at large. The 10 directors are selected by the members of their

respective districts at their district meetings. They are elected at the annual meeting of the association. Voting at the annual meeting is by delegations from the districts. Each district is permitted to have one delegate for each 100 members, but no district may have less than five delegates. The two directors at large are selected and elected by the entire group of directors.

All members of the association are entitled to attend the annual meeting and enter into discussions. However, only the delegates may vote.

The general manager and some of the higher level employees are selected and their compensation is set by the board of directors. All other employees are selected and employed by the general manager with the consent of the board of directors. Some of the employees of the district warehouses are employed by the district manager of those warehouses.

The duties of the general manager of the association are to administer the affairs of the association under the general supervision of the board of directors and within the limits of the association's articles of incorporation and bylaws. This includes general administration of the association's operations and activities, selection and training of employees, and providing the board of directors and the membership with complete information on the association's operations and services.

The district managers supervise the operations of the 10 district warehouses. Their duties include membership relations work, hiring minor employees, and supervising the receiving, processing, and shipping of tobacco in their respective warehouses.

The Puerto Rico Tobacco Marketing Cooperative Association is financed through the sale of common and preferred stock. Members are required to buy at least one share of common stock for voting purposes. They are not required to purchase preferred stock. The purchase of preferred stock is open to anyone. Preferred stock carries no voting privileges. The common stock may pay interest dividends of not to exceed 5 percent, and at the discretion of the board of directors. A dividend of not to exceed 3 percent may be paid on preferred stock, if the board of directors so decides. Common stock has a par value of \$2 per share, and preferred stock \$8 per share.

The authorized capital stock of the association includes 30,000 shares of common stock and 30,000 shares of preferred stock, or a total of \$300,000. As of August 31, 1945, there were outstanding 18,776 shares of common stock and 16,154 shares of preferred stock. In addition, the association had issued certificates of indebtedness in the amount of \$33,851. These represent savings which have been retained in the business for operating purposes. They carry no interest rate, and are redeemable at any time at the discretion of the board of directors. The oldest outstanding certificates will be redeemed first. The association has accumulated, over a period of 15 years, reserves amounting to \$560,016. These represent savings, which have been retained in the business for emergency purposes, and have not been allocated to the members.

Funds for financing the operations of the associations are also obtained through loans from the Baltimore Bank for Cooperatives. Loans from this bank vary in amount from month to month. During the off-season months no loans are needed, but during the marketing season, loans of as much as \$1 million have been required to make advances on the tobacco delivered to the association and for paying the expenses of the association.

The association works closely with the Commodity Credit Corporation in its tobacco loan program. Advances made by the CCC on tobacco received under its loan program are paid to the association, which in turn repays the Baltimore Bank for Cooperatives for the money it has received and advanced to the tobacco producers during the growing season and at the time of delivery of the tobacco. Usually the association requires loans from the Baltimore Bank for Cooperatives for an 8-month period -- September to April, inclusive.

The association offers a production loan service to its members at reasonable cost. Advances up to \$15 or \$20 per hundredweight of tobacco are made to members, upon request, for the purchase of fertilizer and materials, and for expenses of planting and harvesting the crop. An interest charge of $5\frac{1}{2}$ percent is made for this service. These advances are repaid by the members as soon as they receive the settlement for their tobacco. In 1948-49 the association made production loans in the amount of \$548,138.

The Production Credit Association of Puerto Rico and the Farmers Home Administration also make production loans to farmers. The former serves mainly the larger operators, while the Farmers Home Administration serves only those farmers whose financial circumstances are such as to make it impossible for them to obtain loans from other sources. The Puerto Rico Tobacco Marketing Cooperative Association serves those farmers who are not qualified to obtain loans from either the PCA or the FHA.

The association has 14 large tobacco warehouses where tobacco is received from members and processed for shipment as leaf tobacco. The tobacco, after being processed and packed, is stored in warehouses until sold. Tobacco stored in the warehouses by the CCC under its loan program is also held in storage until sold. The association receives rent from the CCC for this storage.

The operations of the association in 1948-49 cover the marketing of the 1947-48 crop of tobacco. Sales of tobacco and advances from the CCC on inventories in storage under its loan program together amount to \$3,884,643. The expenses of operating the association totaled \$810,560. This left \$3,074,082 for distribution to members. The distribution included the issuance of \$89,278 worth of certificates of indebtedness, \$98,141 set aside in unallocated emergency reserves, and \$2,886,664 paid to members in cash.

The farm supply service of the association includes the purchase of fertilizer, insecticides, and paper roofing for members. These items are

handled and distributed at cost, plus a small margin to cover the cost of operation of the materials department and to absorb losses caused by risks and emergencies. These supplies are distributed at each of its 14 district warehouses.

During the 1948-49 operating year the association distributed \$479,927 worth of fertilizer, insecticides, and paper roofing. These sales were in addition to the volume of tobacco business handled that year. The cost of these materials, plus handling and distribution expenses, amounted to \$466,120. This left a net savings of \$13,807 for the farm supply department. This amount was not distributed to the farmers, but was placed in the association's reserve for emergencies. Also transferred to the reserve for emergencies was an item of \$13,021, which represented interest earned on advances to members.

The association, at the close of its operating year, August 31, 1949, was in very good financial condition. It had total assets amounting to \$4,695,973, of which \$4,248,097 were current, \$434,861 were fixed assets and \$13,015 were other assets. The total liabilities of the association amounted to \$3,935,322, of which \$72,154 were current, \$3,838,349 were fixed liabilities, and \$24,819 were other liabilities. The net worth, or farmers' equity, totaled \$760,651 on August 31, 1949. This farmers' equity included \$37,552 of common stock, \$129,232 of preferred stock, \$33,851 of certificates of indebtedness, and \$560,016 in the form of reserves retained in the business for operating purposes.

Cooperativa Cosecheros de Tabaco de Utuado, Utuado

Organized in 1934 under Cooperative Act No. 70, the Cooperativa Cosecheros de Tabaco de Utuado, was reincorporated in 1947 under the General Cooperative Associations Act of Puerto Rico of 1946. It was organized to receive, process and market tobacco. It cooperates closely with the Commodity Credit Corporation in its tobacco loan program. The association operates a large tobacco warehouse and processing plant at Utuado. It also manufactures cigars.

In 1948-49 the association had a total membership of 1,152 of which 648 were active that year. Membership is open to a bona-fide farmer who meets any of the following requirements: He should be (a) a land owner and tobacco grower, (b) a renter and tobacco grower, or (c) the administrator of farms used for producing tobacco. No person engaged in buying or selling tobacco may become a member. The annual membership fee in this association is \$1. The right of membership ceases if the member fails to pay his annual fee within six months after the end of the fiscal year, or if he fails to abide by the marketing contract which requires that he market all of his tobacco through the association. Members of the association meet annually in October. At this meeting they elect directors for the succeeding year. It does not do business with nonmembers.

The board of directors of this association is composed of seven members. The term of office is three years, and no director may be elected for more than two consecutive terms. The directors meet monthly, or more often if affairs require.

During 1948-49, the association handled 1,095,200 pounds of leaf tobacco with a sales value of \$354,446. The tobacco was received, processed, and marketed partly as hand-made cigars and partly as leaf tobacco. About 2 percent of the tobacco handled by the association was marketed in the form of cigars -- all of which were sold in Puerto Rico. The other 98 percent was shipped as leaf tobacco to cigar manufacturers in the States. Cash returns to growers amounted to \$312,219 out of the \$354,446 total sales. In addition, the growers received \$10,334 in certificates of indebtedness and \$4,221 in unallocated reserves.

Cooperativa (ABC) Tobacalera, Aibonito

The Cooperativa (ABC) Tobacalera is the newest of the tobacco marketing associations in Puerto Rico. It was organized in 1947 under the General Cooperative Associations Act of 1946 to receive, process, and market tobacco for farmers in the Aibonito area. Membership in the association is open to any producer of tobacco, whether an owner or a renter. Persons engaged in the marketing of tobacco as a private business are not eligible to membership in the association. Other requirements of membership are that the applicant purchase at least one share of common stock at the par value of \$5, and that he market all of his tobacco through the association. In case a member fails to market his entire crop through the association during a given year, he is considered an inactive member, and is not entitled to vote or to receive any benefits derived from the patronage of other members. Inactive members may gain membership on an active status by permitting the cooperative to handle their entire tobacco crop.

The affairs of the association are governed by a board of directors consisting of nine members. These directors serve for the term of three years, and may not serve for more than two consecutive terms. The Board meets once each month, or more often if called by the president, or upon written request of three members of the board of directors.

In 1948-49 the association handled 659,851 pounds of leaf tobacco with sales value of \$224,132. In addition to the tobacco sales, fertilizer and farm supplies were handled to the extent of \$20,764. Net savings on the fertilizer and farm supply business amounted to \$3,500.

The capital of the association on September 30, 1949, amounted to common stock outstanding, \$10,710 and retentions totaling \$3,565.

Coffee Cooperative

Cooperativa Cafeteros de Puerto Rico, Ponce

One of the most vigorous associations on the Island is the Cooperativa Cafeteros de Puerto Rico, which was originally incorporated in 1928 under the Cooperative Act No. 70, and was incorporated again in 1947 under the General Cooperative Associations Act of Puerto Rico. It was organized to receive, process, and market coffee for coffee producers in Puerto Rico. In 1950 it served the entire coffee producing area of the Island which includes mainly the central and western parts. It also provided farm supply service to dairymen, poultrymen and general farmers in the northern part of the Island.

The association receives coffee at 10 branch receiving warehouses and at the central plant at Ponce. The location of these plants is shown in figure 2. From these warehouses the coffee is trucked to the central plant at Ponce or to a secondary coffee roasting plant at Guaynabo. Part of the coffee marketed by the association is marketed in the raw state, and part is roasted. All of the coffee handled is distributed in Puerto Rico.

Farm supplies are distributed at the 10 branch coffee receiving warehouses and at two additional warehouses at Guaynabo and Hato Rey. All types of farm supplies are handled including feed, fertilizer, seed, metal products and equipment, dairy and poultry equipment, and miscellaneous farm supply items.

The most recent additional service offered by this cooperative is marketing of milk for farmers in the San Juan producing area. In 1949 the association constructed an up-to-date milk pasteurization plant at Bayamon near San Juan. Milk is received at this plant from farmers in the nearby producing areas, and processed for retail distribution in San Juan.

The association is governed by a board of directors composed of 11 members. The term of office for board members is three years. Each of the nine coffee districts on the Island is represented on the board of directors by one director. In addition two directors at large are elected at the annual meeting of members. The board of directors meets four times annually and, if necessary, at additional times.

In 1948-49 the association handled 10,178,498 pounds of raw coffee, the large part of which was processed and roasted and distributed through retail outlets in Puerto Rico. In addition to coffee marketing, farm supplies sales were reported at \$903,136.

The capital of the association consists of common stock with a value of \$7,751, preferred stock totaling \$999,060, and certificates of indebtedness outstanding of \$511,544. In addition there were reserves totaling \$51,850.

Cotton Cooperative

Puerto Rico Cotton Growers Marketing Cooperative Association, Arecibo

The Puerto Rico Cotton Growers Marketing Cooperative Association was originally incorporated in 1935 under Cooperative Act No. 70, and reincorporated in 1947 under the General Cooperative Associations Act of Puerto Rico. The association was organized to receive, gin and market cotton for producers in the cotton growing sections of northwest and southwest Puerto Rico. It maintains a central office at Arecibo, and operates a cotton gin at Isabella.

Membership is open to any producer of cotton, with the requirement that he market his entire crop through the association. Other requirements for membership are that the applicant purchase at least one share of common stock at the par value of \$1, and be accepted by the board of directors. In 1948-49 the association had 1,125 active members. The members meet annually.

The association is governed by a board of directors consisting of nine members whose term of service is three years. No director may be elected for more than two consecutive terms. The board of directors meets once monthly, or more often if necessary.

In 1948-49 the association handled 221,648 pounds of fiber cotton and 189 tons of cottonseed. This had a total sales value of \$167,416.

The capital of the association consists of common stock totaling \$12,436; preferred stock \$1,108; certificates of indebtedness totaling \$88,553; and reserves amounting to \$19,559.

Citron Cooperative

Cooperativa de Cosecheros de Cidra, Adjuntas

A small but steadily growing association is the Cooperativa de Cosecheros de Cidra, first organized and incorporated in 1944, and reincorporated in 1947 under the General Cooperative Associations Act of Puerto Rico. It was formed to process citron fruit for producers in the Adjuntas area of Puerto Rico. The association receives the citron fruit, processes it in brine, and markets the product to confectioners and preserve manufacturers in the United States.

* Membership is open to producers of citron fruit and cooperative associations organized for marketing farm products. Its members are required to sign a marketing agreement to market all their citron fruit through the association. Other requirements for membership are that the applicant purchase at least one share of common stock at the par value of \$2, and be accepted by the board of directors consisting of nine directors. They serve for a term of three years, and no director can be elected for more than two consecutive terms. The board of directors meets

monthly, or more often, if needed. In 1948-49 the association handled 1,695,400 pounds of citron fruit. All of this was shipped to manufacturers in New York City.

Capital consisted of common stock with a total value of \$6,983, certificates of indebtedness totaling \$9,828, and reserves amounting to \$11,138.

Vegetable Cooperative

Villalba Vegetable Growers Cooperative Association, Villalba

The Villalba Vegetable Growers Cooperative Association was originally incorporated in 1939. It was reincorporated under the General Cooperative Associations Act in 1947. It is a local association serving vegetable growers in the Villalba area by receiving, canning, and marketing pigeon peas, and by marketing fresh tomatoes. In 1949 about 1,269,000 cans of pigeon peas and 201,960 pounds of fresh tomatoes were marketed. The former was marketed mostly in Puerto Rico while the latter went mostly to New York City.

The association had an active membership of 466 farmers in 1949. Membership is limited to agricultural producers and farmer cooperatives.

The association is governed by a board of directors of nine members, who are elected by the membership at the annual membership meeting. Directors are elected for three year terms. Their terms are staggered so that three expire each year. Board meetings are held monthly. No director may be elected for two consecutive terms.

This association was organized under the sponsorship and financial assistance of PRRA. The authorized capital of the association is \$30,000. It consists of 10,000 shares of common stock with a value of \$2 per share, and 1,000 shares of preferred stock with a \$10 par value. As of June 30, 1949, 1,132 shares of common stock were outstanding. No preferred stock had been issued up to that time. Common stock carries voting rights, and may receive interest not to exceed 5 percent at the discretion of the board of directors. Preferred stock, if any is ever sold, would receive a 5 percent annual rate of interest (cumulative), but the holder would not be entitled to voting privileges.

Poultry Cooperative

Cooperativa de Avicultores de Puerto Rico, Rio Piedras

The newest farmer cooperative on the Island is the Cooperativa de Avicultores de Puerto Rico, which was organized and incorporated in 1948. Its purpose is to market at retail live and dressed poultry as well as poultry products for 52 producer members in the north central part of Puerto Rico. Baby chicks and small quantities of feed are purchased by the association for its member poultrymen. This cooperative operates its main retail store in Rio Piedras and a branch at Santurce.

Membership in the association is limited to producers of poultry and eggs. Members may not engage in private poultry marketing even though they are producers.

The association is governed by a board of directors composed of seven producer members, who are elected by the membership at the annual meeting of the association. The term of office for directors is two years, and no director may hold office for more than two consecutive terms. The board meets monthly, and upon special call by the president, or upon written request by four board members.

An employed manager operates the business under the direction of the board. He is paid on a salary basis. The manager, secretary, and any other person handling association funds or negotiable instruments are required to carry fidelity bonds. The bonds are paid for by the association.

The association is financed by the sale of capital stock to members. The authorized capital is 10,000 shares of common stock at a par value of \$10 per share. The balance sheet at the close of 1949 showed paid-in capital stock in the amount of \$2,930. This carried a dividend rate of 5 percent. In addition to the capital stock, the association had issued \$2,042 of certificates of indebtedness and set aside a reserve of \$460. Both of these were retained from net savings. These retentions have been used for operating purposes.

Honey Cooperative

Cooperativa de Apicultores de Puerto Rico, Ponce

The single honey association on the Island, the Cooperativa de Apicultores de Puerto Rico, was originally incorporated in 1945, but was reincorporated in 1947 under the General Cooperative Associations Act of Puerto Rico. The purpose of the association is to receive and market honey and beeswax for farmer members. There were 81 members in 1949, located mostly in the coffee producing region, comprising the municipalities of Ponce, Penuelas, Maricao, Adjuntas, Guayamilla, Mayaguez, and Camo.

The association is governed by a board of directors consisting of nine members. Board members are elected by the membership at the annual meeting. The term of office is for three years and elections are staggered so that three directors are elected each year. No director may hold office for more than two consecutive terms.

A salaried manager operates the association under the direction of the board of directors. Employees handling association funds are required to be bonded under the stipulations in the bylaws.

In the year ending February 1948, the association handled about 10,777 gallons of honey and 1,703 pounds of beeswax. During the next year the volume declined to about 6,000 gallons of honey and 800 pounds of beeswax. It was reported that the cooperative needs more operating capital

and better processing and marketing procedures before it can give effective service to the members.

The association was financed through the sale of capital stock, and a loan of \$12,000 obtained in 1947 from the insular Government. The total authorization for capital stock is 10,000 shares of common stock with a par value of \$2 per share. As of February 28, 1949, there were outstanding \$1,832 worth of common stock. The loan of \$12,000 stood on the books at that time. This loan was used to purchase the land and building occupied by the association in Ponce.

Farm Supply Cooperative

Sociedad Agricola Cooperativa de Puerto Rico, San Juan

The only association purchasing farm supplies exclusively is the Sociedad Agricola Cooperativa de Puerto Rico. It was first organized and incorporated in 1937. It was reincorporated in 1947 under the General Cooperative Associations Act of Puerto Rico. The purpose of the association is to purchase farm supplies for members. The central office and main warehouse is located in San Juan. A branch warehouse is operated in Ponce. The association operates mostly as a retail service, however, two private dealer agents distribute feed and fertilizer on a per ton commission basis.

There were 412 farmer members at the close of June 1949. Members are located mostly in the dairy and cane producing area in the northern part of the Island, east and west of San Juan. However, a few members are located around the branch at Ponce.

The requirements for membership are that the applicant be engaged in the production of farm crops, and that his application be accepted by the board of directors. Each member is required to purchase at least one share of common stock. Voting is on the one-member one-vote basis. If a member fails to patronize the association for two years, he is not permitted to vote but may still hold his common stock. A member, so "retired" may be readmitted to membership after a period of two years retirement.

The association is governed by a board of directors of nine members, who are elected by the membership at the annual meeting. Directors serve for 3-year periods and their terms are staggered, so that three are elected each year. No director may serve more than two terms.

Any employed manager operates the association under the direction of the board of directors. All employees handling association funds are required to be bonded. The association pays the cost of bonding.

Farm supplies handled by the association include feed, fertilizer, insecticides, fungicides, weed killers, dairy and poultry equipment, light farm machinery such as spray pumps, motor driven garden plows, and lawn

mowers. Also handled are small tools, lime and cement, paper roofing, veterinary remedies, farm freezers, baby chicks, and turkey poults.

The manager provides consultant service on such farm problems as how to eradicate rodents, citrus scale, garden ants, and coffee insects.

The authorized capital of the association includes 750,000 shares of common stock at \$1 per share, and 25,000 shares of preferred stock at \$30 per share. Common stock entitles the holder to vote on the basis of one-member one-vote. Dividends on common stock are limited to a maximum of 5 percent depending upon the decision of the board of directors. Common stock is transferable only with the consent of the board of directors.

Common stock outstanding as of June 30, 1949, totaled \$21,714. Of this amount \$412 represented member's purchases of capital stock. The remaining \$21,302 was retained savings, which had been allocated to members on the basis of their purchases of farm supplies and issued in the form of common stock.

The association had no outstanding preferred stock. If and when preferred stock is issued, it will carry no voting rights and will entitle the holder to dividends of 5 percent per year on a cumulative basis.

Certificates of indebtedness in the amount of \$115,236 were outstanding on June 30, 1949. These represented savings which had been retained in the business, and allocated to the members on a patronage basis. They carry no interest rate.

Reserves of different kinds amounting to \$91,215 were shown on the balance sheet for June 30, 1949. These included, in part, the \$46,111 of net savings for 1948-49 which had not been distributed prior to the close of the year.

The volume of business of this purchasing association increased during an eight year period ending June 30, 1949, from \$362,199 to \$1,056,884. Net savings during those years increased from \$616 to \$46,111 per year. The following table shows volume of business and net savings of the association for the fiscal years 1942-43 to 1948-49.

VOLUME OF BUSINESS AND NET SAVINGS OF
SOCIEDAD AGRICOLA COOPERATIVA DE PUERTO RICO,
YEARS 1942 TO 1949

<u>Year</u>	<u>Volume of business</u>	<u>Net savings</u>
1942-43	\$362,199	\$616
1943-44	931,693	14,249
1944-45	792,973	20,032
1945-46	891,072	25,765
1946-47	743,126	29,839
1947-48	976,280	27,111
1948-49	1,056,884	46,111

This association was started under the encouragement and financial assistance of the Puerto Rico Reconstruction Administration. An original loan of \$95,000 for operating purposes was obtained from PRRA in 1937-38.

Later borrowings from PRRA brought the total to a maximum of \$321,750 in 1941-42 and 1942-43. Part of this loan was used to purchase a central office building and warehouse in San Juan. The loans from PRRA were paid off during the next two years and the association obtained operating loans from the Baltimore Bank for Cooperatives. By June 30, 1949, total borrowing of the association had been reduced to \$126,000.

Volume of Business of Farmers Marketing and Purchasing Associations

The total volume of marketing and purchasing business for the 12 farmers' associations on the Island was \$18,134,103 for their fiscal years ending in 1949. See table 3, Appendix. This total included \$17,077,219 for the 11 marketing associations and \$1,056,884 for the farm supply purchasing association. Figure 3 shows the volume of business of each of the 12 associations. In addition to the volume of farm supplies that was distributed by the purchasing association, several of the marketing associations handled a total of nearly \$1,500,000 of farm supplies as a sideline activity to marketing.

After operating expenses and other costs of the marketing associations were deducted from their sales there remained \$12,272,918 to be distributed to the members, patrons, and employees (see table 3). After retaining \$266,502 of that total through the issuance of certificates of indebtedness and capital stock, setting aside \$312,263 in unallocated reserves, and paying a total of \$57,561 in bonuses to employees, the remaining \$11,636,592 of net proceeds were paid in cash to the members of the marketing associations. Thus approximately 68 percent of the sales value of the farm products processed and marketed were returned to the growers in cash.

The purchasing association has a total volume of business of \$1,056,884 upon which a net savings of \$46,111 was made. See table 3. Later distribution of these savings was approximately as follows:

Reserve for inventory losses	\$1,562
Reserve for emergencies	8,000
Cash patronage refunds	5,000
Certificates of indebtedness issued	31,549
Total	<u>\$46,111</u>

When the final distribution of savings of the purchasing association is taken into consideration, the calculation results in total cash returned to farmers by the 12 farmers' associations of approximately \$11,641,592 out of a total volume of business of \$18,134,103. In addition to the cash, farmers received \$298,052 in certificates of indebtedness and capital stock, and \$367,935 in unallocated reserves.

FIGURE 3
VOLUME OF BUSINESS OF FARMERS' MARKETING AND PURCHASING
COOPERATIVES IN PUERTO RICO, BY TYPES, 1949

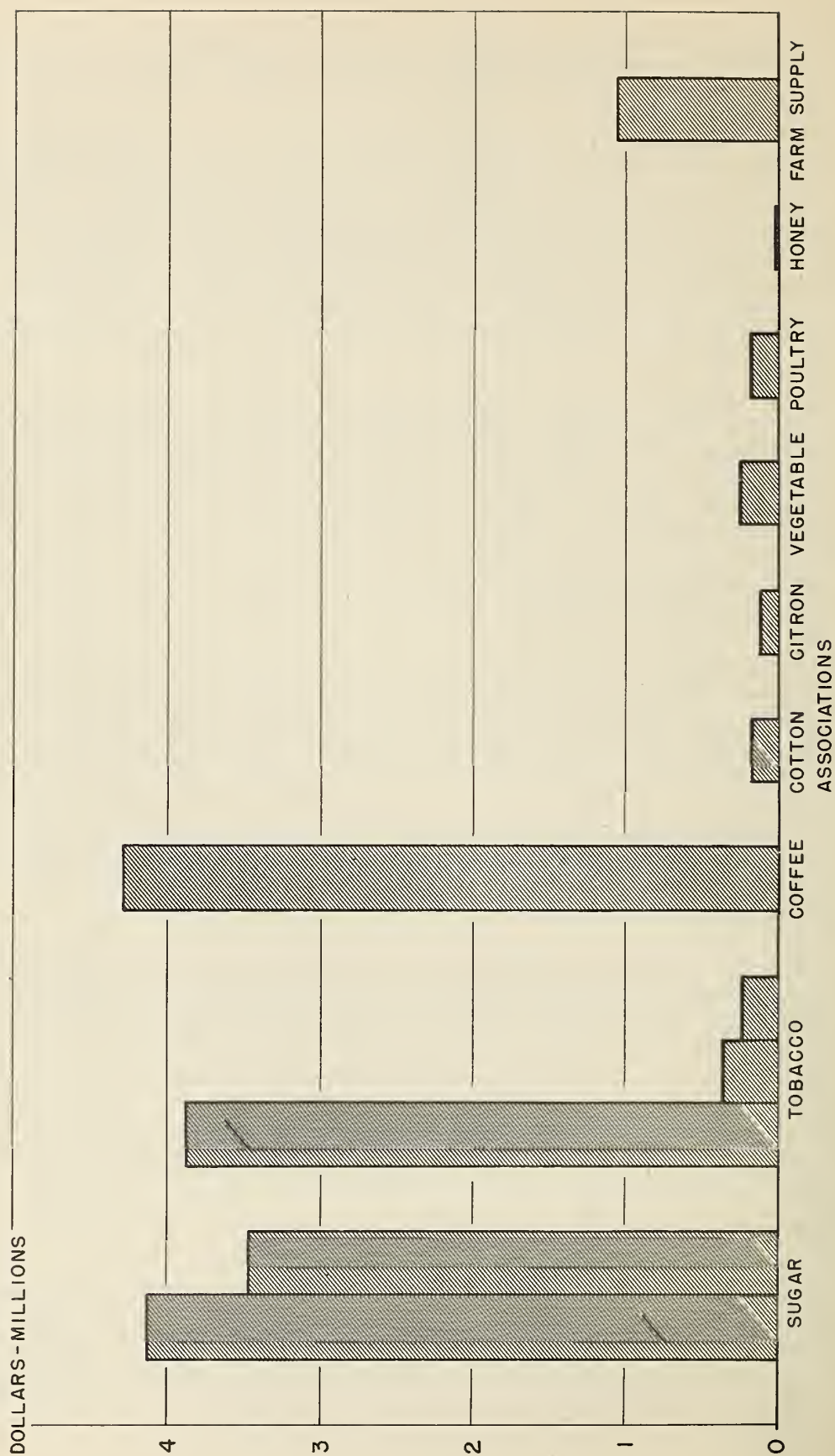
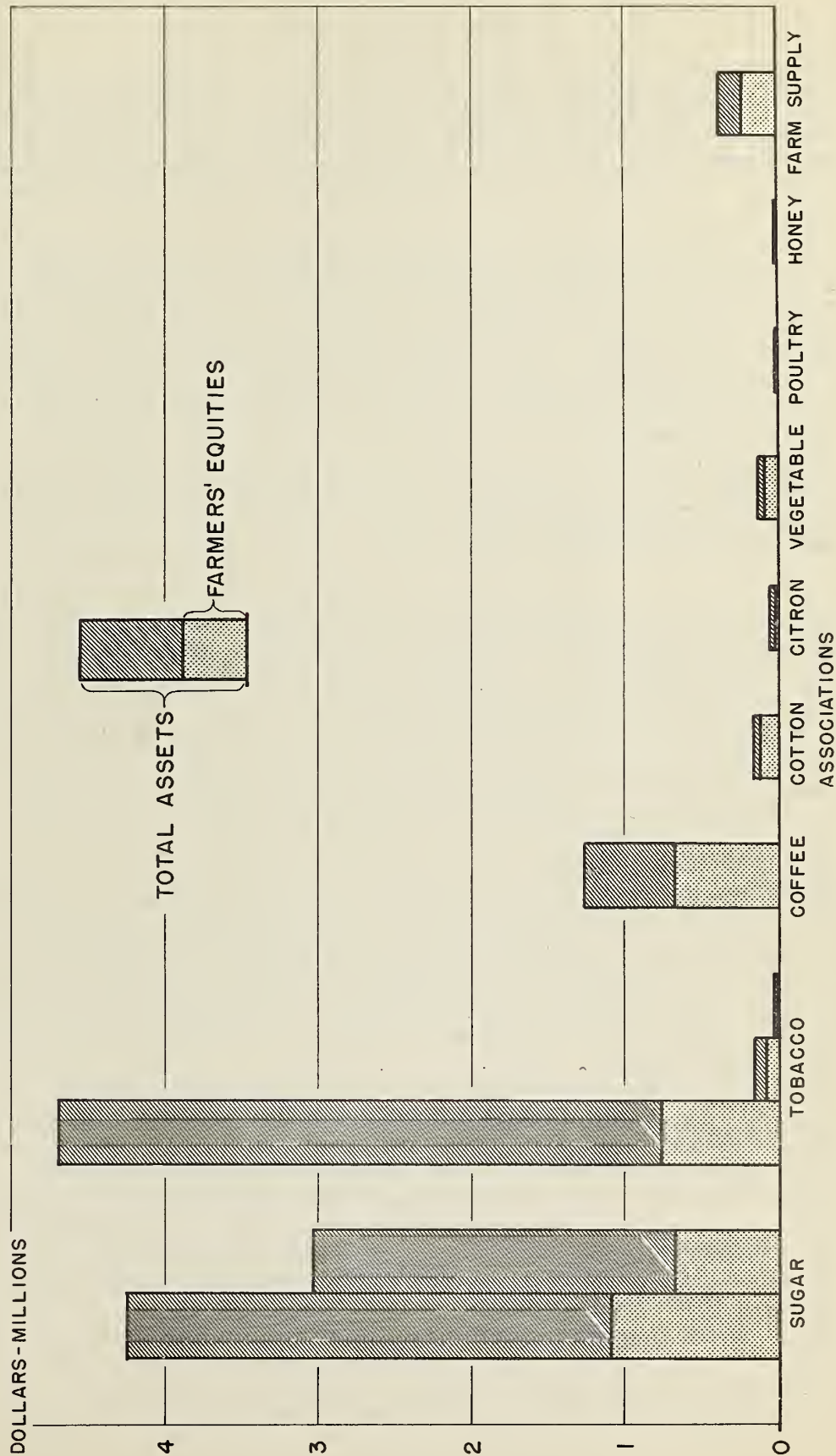


FIGURE 4

TOTAL ASSETS OF FARMERS' MARKETING AND PURCHASING COOPERATIVES IN PUERTO RICO, BY TYPES, 1949



Financial Condition

The 12 farmers associations had total assets amounting to \$14,108,033. See table 4, Appendix. Figure 4 shows this information graphically. The range was from \$13,417 of assets for the smallest association to more than \$3 million for the four largest associations. An intermediate group of four ranged between approximately \$115,000 and \$370,000.

Current assets accounted for approximately \$10 million, and fixed assets for nearly \$4 million of the \$14,108,033 total assets of the 12 associations. The two sugar cooperatives at Arroyo and Arecibo with fixed assets of \$1,782,294 and \$842,538 respectively had the most extensive plants and equipment of any cooperatives on the Island. However, the Cooperativa Cafeteros de Puerto Rico (coffee association) at Ponce and the tobacco marketing association at San Juan owned extensive warehousing and processing facilities at many locations in Puerto Rico.

Liabilities of the 12 associations totaled \$10,335,854, of which approximately one-fourth represented current payables, and about three-fourths noncurrent indebtedness (table 4).

Net worth of the 12 associations totaled \$3,772,179 or approximately 27 percent of their total assets. The net worth total included \$973,389 of common and preferred stock; \$1,328,928 of certificates of indebtedness; and \$1,469,862 of reserves. See table 4, Appendix. Only three of the associations had preferred stock outstanding. Ten associations had certificates of indebtedness outstanding. These certificates of indebtedness represented savings which had been retained in the business for operating purposes. Sizable reserves were maintained by most of the associations for emergencies and other purposes.

In general, the farmers' associations in Puerto Rico have not been financed to any large extent by out-of-pocket purchases of stock by farmers.. Most of the financing has been accomplished with borrowed capital or credit, and with savings which have been retained in the business. In several instances, the Insular government has provided capital to assist certain cooperatives; the Federal Government through the Puerto Rican Reconstruction Administration and Baltimore Bank for Cooperatives has assisted many of them.

A recapitulation of out-of-pocket investments by farmers in the 12 marketing and purchasing cooperatives shows that only about 10 percent of the equities of farmers in these cooperatives were obtained by cash purchases of stock. The remaining equities represented an accumulation of net savings or retentions from funds available for distribution. The total equity of farmers in the 12 associations amounted to \$3,772,179, of which only about \$363,619 represented outright cash purchases of stock.

Cooperative Law of Puerto Rico

The development of farmers' cooperatives in Puerto Rico has been influenced by the types of laws that have related to cooperatives. This section briefly outlines the important legal developments since 1920 and summarizes the more important provisions of the latest law, the General Cooperative Associations Act of Puerto Rico.

The Government of Puerto Rico has long been interested in the development of cooperatives on the Island. As far back as 1920, steps were taken to encourage farmers to organize their own cooperatives for marketing the products of the soil. The first cooperative act (No. 3) was passed in May 1920 and subsequently amended. This act provided for the incorporation of cooperative associations for production and consumption. In August 1925, another act (No. 70 - Cooperative Marketing Act) was passed. This authorized and provided for the incorporation, organization, management, and control of cooperatives. Another act, passed in May 1938, authorized the Commissioner of Agriculture and Commerce to organize cooperative handicraft societies. In May 1938, an act was passed which exempted from taxation the property and shares of cooperative associations organized under Act No. 70 of 1925.

The latest cooperative law, called the General Cooperative Associations Act of Puerto Rico, was enacted in April 1946. Its purpose was to correct five serious defects in the organization of cooperatives on the Island. As quoted from the Act itself, shortcomings of the preceding laws were:

1. "Lack of a properly defined social orientation, especially as to the part which cooperativism should fulfill in the education and economic betterment of the masses.
2. "Lack of an educational program for the guidance of members of cooperatives as regards the philosophy of cooperativism, their rights and duties within the organizations to which they belong, and the functioning of cooperatives.
3. "Lack of an adequate inspection system, both as to the accounting methods employed, as well as to the fulfillment by cooperatives themselves of the principles underlying cooperativism.
4. "Confusion with respect to the type or kind of cooperatives that can be established in Puerto Rico.
5. "Lack of adequate legislation on cooperatives, providing means for correcting the deficiencies above enumerated."

The General Cooperative Associations Act of Puerto Rico contains limitations as to the number of persons necessary for the formation and incorporation of a cooperative association. Well defined rules and regulations are provided for incorporation, amending articles and bylaws,

creating reserves, admission of members, resignations, involuntary separations, voting, liabilities and obligations of members, minimum requirements as to number of meetings, election of directors and officers, accounting, distribution of savings, and capital requirements. The act also provides for the formation of federations of two or more cooperative associations. Formerly the laws had no provisions for federations.

A cooperative association, under the General Cooperative Associations Act of Puerto Rico, must meet the following requirements:

1. It must function on principles of equality of rights and obligations as far as its members are concerned.
2. It must have at least eleven members.
3. It must be organized with capital which may or may not be represented by shares.
4. It must grant each member one single vote, which may be exercised personally but not by proxy.
5. It must further the social and economic improvement of its members through their joint action in collective work.
6. It must set aside annually not less than one-tenth of one percent of its total volume of business for educational purposes. It may contribute voluntarily part or all of such educational funds to the Department of Cooperatives of the Agricultural Extension Service of the University of Puerto Rico, in order that this agency may coordinate and intensify its programs of cooperative education.
7. It must not pay more than five percent interest per year on its outstanding capital stock.
8. It must not refuse admission to membership to any person because of race, color, social standing, religion, or political affiliation. However, this requirement must not be construed to be a denial of the right of the board of directors to refuse admission of any person who, in its judgment, might hinder or obstruct the accomplishment of the ends and purposes of the association.
9. It must not operate for profit and its returns and savings must be distributed on the basis of patronage.

In order to enforce the provisions of the General Cooperative Associations Act of Puerto Rico an Office of Inspector of Cooperatives was created. The inspector and employees of his office are appointed and their remuneration fixed by the Commissioner of Agriculture and Commerce of Puerto Rico. In general, the powers and obligations of the Inspector of Cooperatives as stated in the Act, are as follows:

1. "To approve or reject, according to the provisions of this Act, the articles of incorporation which may be submitted to him by cooperative associations in process of organization, and to recommend the filing thereof and the issuance by the Office of the Executive Secretary of Puerto Rico of the corresponding certificate of registration.

"He shall likewise approve or reject, according to the provisions of this Act, the amendments to articles of incorporation that may be subsequently submitted to him by cooperative associations.

2. "To carry out, in his discretion, such examinations as he may deem advisable of the business and operation of any association incorporated under this Act, and to make to the boards of directors of said associations, in consultation with the Department of Cooperatives of the Agricultural Extension Service of the University of Puerto Rico, such recommendations as, in his judgment, may assist said boards of directors in carrying out more efficiently the purposes of this Act.
3. "To formulate, adopt, amend, and repeal rules and regulations in order to enforce the fiscal provisions of this Act.
4. "To see to it that cooperative associations comply with the provisions of this Act, with the regulations formulated by his office, and with their articles of incorporation; Provided, That for this purpose, the Inspector may resort to the following procedures with respect to any cooperative whose norms, activities, and functioning do not conform, in his judgment, to the above-mentioned provisions:
 - "a. To require the board of directors of the cooperative to correct the irregularities pointed out by the Inspector or to call an assembly of members in order that said assembly may do it.
 - "b. To call, in case the board of directors should refuse to do it, a special assembly of the members of the cooperative, in order to explain to said assembly the irregularities pointed out by the Inspector, for the purpose of having them corrected.
 - "c. Recommend to the Executive Secretary the cancellation of the certificate of registration, when it is not possible to correct said irregularities.

5. "The Inspector of Cooperatives shall furnish the Department of Cooperatives of the Agricultural Extension Service of the University of Puerto Rico, any data he may have at his disposal and which said Department may request for the purposes of its work.
6. "The Inspector shall have all the other duties, rights, faculties and obligations imposed or conferred upon him by other sections of this Act or other cooperative Acts."

In order that the cooperative might appeal the decisions of the Inspector of Cooperatives, a Board of Appeals was created under the Act. The board consists of the director of the Agricultural Extension Service, a representative of the cooperatives, and a person representing the public interest. The latter two are appointed by the Governor of Puerto Rico. The duty of this board is to act as judge in any appeal from the decisions of the Inspector of Cooperatives that may be made by cooperatives already in existence or those in process of organization.

The General Cooperative Associations Act of Puerto Rico also provides for the formation of a Department of Cooperatives in the Extension Service of the University of Puerto Rico. This department was created for the purpose of fostering cooperation. Its duties are largely of an educational character, including assistance in improving the methods of operation of cooperative associations and in the organization of such associations. Quoting from the Act, the duties of the Department of Cooperatives are:

1. "Formulate and establish and coordinate with other agencies, education programs for the adequate orientation of cooperative action.
2. "Suggest to the pertinent agencies or organizations the research work that may be necessary in order to assist in the development of cooperativism and cooperate in the carrying out of said work.
3. "To lend, within its power and faculties, and in furtherance of the spirit of this Act, such assistance and services as may be necessary in order to improve the functioning of cooperative associations organized or in the process of organization.
4. "To request and obtain from the Inspector of Cooperatives any information which may be necessary in order to effectuate the work of the Department; and likewise to cooperate closely with the Inspector of Cooperatives in carrying out this work.

5. "To do all other things necessary to raise the economic, social, and educational standards of our people, through democratic cooperative action."

The Act defines closely the right to use the term "cooperative" -- "No person, firm, corporation, or association in Puerto Rico shall, without first complying with the provisions of this Act, have the right to use as a part of the trade or corporate name or designation thereof, the words 'cooperative,' 'cooperation,' 'cooperators,' or any other words which may lead to the belief that they refer to a cooperative association in the sense established in this Act."

Foreign associations doing business in Puerto Rico must also come under the regulations of the Act -- "A foreign association or corporation which qualifies as a cooperative association, as defined in Section 2 of this Act, may be authorized to do business and render services in Puerto Rico, under the provisions of this Act, provided it complies with the laws regulating foreign corporations doing business and rendering services in Puerto Rico, and provided it registers with the Inspector of Cooperatives of a copy of its articles, duly certified by the Secretary of State of the place where the association or corporation has been organized. After these requisites have been met, the said entity shall enjoy all the rights and privileges of associations organized under this Act."

"Every person violating the provisions of this section shall be guilty of a misdemeanor, and upon conviction, shall be punished by a fine of not less than fifty (50) dollars nor more than five hundred (500) dollars, or by imprisonment in jail for not less than thirty (30) days nor more than six (6) months, or by both penalties, in the discretion of the court for each violation."

The General Cooperative Associations Act of Puerto Rico provides adequate legislation for fostering the cooperative movement by correcting the deficiencies and conflicting purposes of previous cooperative acts. The net result of the passage of this law has been to clarify the requirements to be met by cooperative associations in their methods of operations and in the use of the word "cooperative."

CONCLUSIONS

In surveying the cooperative services of the 12 farmers' marketing and purchasing cooperatives in Puerto Rico, as well as the legislation relating to cooperation and to the government agencies -- both Insular and Federal -- which assist farmer cooperative,, the following conclusions were reached:

1. Cooperative methods of purchasing supplies and of marketing and processing farm products are especially suited to the average small farmer in Puerto Rico, because of his inadequate resources and small acreage.

2. In 1949, farmers' cooperatives handled about \$2.5 million of supplies, and marketed better than \$17 million of farm products. Of this last amount, nearly \$7.6 million came from the cooperative marketing of sugar cane.
3. Since sugar is such an important source of income for Puerto Rican agriculture, further attention and study might well be given to the benefits available to farmers through the development or expansion of farmers' sugar manufacturing cooperatives.
4. There also seems to be excellent possibilities for adding to farmer income on the Island through the development of a cooperative marketing and processing plant for pineapples.
5. Insular farmers need more information on cooperative methods and principles. The several government agencies which assist cooperatives in educational work should be encouraged to continue, and if possible, increase the extent of the work. The cooperatives themselves should also give more consideration to methods for enlightening their members regarding benefits to be obtained from the cooperative way of doing business.
6. Most cooperatives have followed a program of building capital out of savings. This method is sound, and should also be encouraged until the cooperatives have obtained sufficient operating capital for normal operations.
7. Leaders of the major associations distributing farm supplies and equipment might well consider the handling of wider lines of modern farm machinery, and of extending their farm supply service to areas not now served.
8. At the time this study was made, plans for a large cooperative fertilizer mixing plant to provide part of the requirements of farmers on the Island were progressing satisfactorily. Plans are to make the fertilizer cooperative a federation in which most of the marketing associations and the purchasing cooperatives will hold membership.
9. Greater benefits lie ahead for the small farmer of Puerto Rico through the future expansion of current farmers' cooperatives, and through the development of new processing services for farm crops and manufacturing services for certain farm supplies.

Appendix Table 3 - Summary of Operations and Distribution of Receipts of Farmers Marketing and Purchasing Associations in Puerto Rico 1948-49

Name of association	Volume of business	L e s s			Net operating receipts	Plus or minus adjustments for nonoperating receipts or expenses	Net receipts for distribution	Distribution of net receipts			
		Cost of farm supplies and farm products purchased ^{1/}	Expenses	Net operating receipts				Certificates of indebtedness and capital stock issued	Other reserves (unallocated) ^{2/}	Bonuses to employees	Cash returns to growers
Marketing											
Asociacion Azucarera Cooperativa Lafayette, Arroyo.....	\$4,122,929	\$998,679	\$190,311	\$2,933,939	-\$42,570	\$2,891,369	-	\$180,755	-	-	\$2,710,614
Cooperativa Azucarera Los Canos Arecibo.....	3,468,071	723,067	165,702	2,579,302	-121,226	2,458,076	3,50,000	4,673	\$32,500	-	2,370,903
Puerto Rico Tobacco Marketing Cooperative Assn., San Juan...	3,884,643	-	810,560	3,074,083	-	3,074,083	89,278	98,141	-	-	2,886,664
Cooperativa de Cosecheros de Tabaco de Utuado.....	354,446	-	29,892	324,554	2,220	326,774	10,334	4,221	-	-	312,219
Cooperativa (ABC) Tabacalera, Aibonito.....	224,132	-	47,055	177,077	1,861	178,938	3,747	208	-	-	174,983
Cooperativa Cafeteros de Puerto Rico, Ponce.....	4,302,565	896,579	317,016	3,088,970	-140,318	2,948,652	96,339	6,050	18,920	-	2,827,343
Puerto Rico Cotton Growers Marketing Coop. Assn., Arecibo	167,416	-	31,517	135,897	4,289	140,188	-	12,051	-	-	128,137
Cooperativa de Cosecheros de Cidra, Adjuntas.....	109,597	16,030	35,912	57,655	274	57,929	3,223	1,858	-	-	56,564
Villalba Vegetable Growers Cooperative Assn., Villalba...	252,378	41,395	96,819	114,164	2,894	117,058	13,581	8,547	6,067	-	88,863
Cooperativa de Avicultores de Puerto Rico, Rio Piedras.....	175,123	87,851	18,092	69,180	43	69,223	-	118	74	-	69,031
Cooperativa de Apicultores de Puerto Rico, Ponce.....	15,919	-	3,797	12,122	-1,494	10,628	-	-643	-	-	11,271
Totals for marketing assns.	17,077,219	2,763,601	1,746,673	12,566,945	-294,027	12,272,918	266,502	312,263	57,561	11,636,592	
Purchasing											
Sociedad Agricola Cooperativa de Puerto Rico, San Juan.....	1,056,884	954,113	57,577	45,114	917	46,111	-	46,111	-	-	-
Totals for all associations	18,134,103	3,717,714	1,804,250	12,612,139	-293,110	12,319,029	266,502	358,374	57,561	11,636,592	

1/ Includes purchases of farm equipment, fertilizer, feed, other commodities, farm products purchased from non-members, adjustments for inventory fluctuations, and transportation costs on inbound shipments.

2/ Includes reserves for cooperative education, reserves for emergencies, and in some cases net savings which had not been distributed pending decision of board of directors.

3/ Estimated - not final.

Appendix Table 4 - Summary of Condensed Balance Sheets for Farmer Marketing and Purchasing Cooperatives in Puerto Rico, 1949

Name of association	Date of balance sheet	Assets				Liabilities				Net worth					Total liabilities and net worth
		Current	Fixed	Other	Total	Current	Fixed	Other	Total	Common stock	Preferred stock	Certificates of indebtedness	Reserves ^{1/}	Total	
Asociacion Azucarera Cooperativa Lafayette, Arroyo.....	6/30/49	\$2,405,270	\$1,782,294	\$50,752	\$4,238,316	\$722,417	\$2,423,496	-	\$3,145,913	\$625,237	-	-	\$467,166	\$1,092,403	\$4,238,316
Cooperativa Azucarera Los Canos, Arecibo.....	6/30/49	2,159,358	842,538	23,636	3,025,532	1,558,418	796,629	-	2,355,047	3,815	-	\$464,470	202,200	670,485	3,025,532
Puerto Rico Tobacco Marketing Cooperative Assn., San Juan...	8/31/49	4,248,097	434,861	13,015	4,695,973	72,154	3,838,349	\$24,819	3,935,322	37,552	\$129,232	33,851	560,016	760,651	4,695,973
Cooperativa de Cosecheros de Tabaco de Utuado.....	9/30/49	55,217	97,419	-	152,636	8,146	60,952	-	69,098	210,297	-	63,673	9,568	83,538	152,636
Cooperativa (ABC) Tabacalera, Aibonito.....	10/1/49	17,013	807	-	17,820	3,546	-	-	3,546	10,710	-	1,189	2,375	14,274	17,820
Cooperativa Cafeteros de Puerto Rico, Ponce.....	9/30/49	637,730	519,852	100,139	1,257,721	286,615	300,000	-	586,615	7,751	99,960	511,544	51,851	671,106	1,257,721
Puerto Rico Cotton Growers Marketing Cooperative Assn., Arecibo.....	3/30/49	104,796	35,425	18,573	158,794	-	-	36,438	36,438	12,436	1,808	88,553	19,559	122,356	158,794
Cooperativa de Cosecheros de Cidra, Adjuntas.....	10/31/49	18,177	19,759	6,554	44,490	16,541	-	-	16,541	6,983	-	9,828	11,138	27,949	44,490
Villalba Vegetable Growers Cooperative Assn., Villalba...	6/30/49	54,113	45,829	15,844	115,786	9,662	12,355	-	22,017	1,132	-	38,542	54,095	93,769	115,786
Cooperativa de Avicultores de Puerto Rico, Rio Piedras.....	12/30/49	8,101	5,157	159	13,417	7,985	-	-	7,985	2,930	-	2,042	460	5,432	13,417
Cooperativa de Apicultores de Puerto Rico, Ponce.....	2/28/49	4,550	12,164	247	16,961	2,910	12,000	-	14,910	1,832	-	-	219	2,051	16,961
Sociedad Agrícola Cooperativa de Puerto Rico, San Juan.....	6/30/49	283,248	41,611	45,728	370,587	142,422	-	-	142,422	21,714	-	115,236	91,215	228,165	370,587
Total.....		9,995,670	3,837,716	274,647	14,108,033	2,830,816	7,443,781	61,257	10,335,854	742,389	231,000	1,328,928	1,469,862	3,772,179	14,108,033

^{1/} Includes reserves for education, reserves for emergencies, and in some cases includes net savings which were not yet distributed pending decision of the boards of directors.

^{2/} Annual dues which have been received over a period of years from members - \$1 per year per member.

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